

**Commonwealth of Massachusetts
Office of Consumer Affairs & Business Regulation
DIVISION OF ENERGY RESOURCES**

RENEWABLE ENERGY PORTFOLIO STANDARD

GUIDELINE

**FOR RETAIL ELECTRICITY SUPPLIERS
ON THE DETERMINATION OF SALES TO END-USE CUSTOMERS
FOR CALCULATING THE ANNUAL RPS OBLIGATION**

February 9, 2006

Pursuant to the Renewable Energy Portfolio Standard Regulations at 225 CMR 14.00

This Guideline clarifies the method by which Retail Electricity Suppliers (“retail suppliers”) shall determine the kWh sales to End-Use Customers in the Commonwealth in order to calculate their annual RPS compliance requirements. This Guideline is effective for Compliance Year 2005 and thereafter. The Division of Energy Resources (“DOER” or “the Division”) will enforce this Guideline without exception with regard to the Compliance Filings for CY 2005 and for subsequent Compliance Years.

Provisions in the RPS Statute and Regulations

The RPS statute at M.G.L. Chapter 25A, Section 11F(a)¹ mandates the following:

Every retail supplier shall provide a minimum percentage of kilowatt-hours sales to End-Use Customers in the commonwealth from new renewable energy generating sources, according to the following schedule . . .

Pursuant to this statute, the RPS Regulations state the following at 225 CMR 14.07 and 14.09:²

14.07: Renewable Energy Portfolio Standard.

(1) Minimum Standard. The total annual sales of each Retail Electricity Product sold to Massachusetts End-Use Customers by a Retail Electricity Supplier shall include a minimum percentage of electrical energy sales with New Renewable Generation Attributes, as follows . . .

14.09: Compliance Filings for Retail Electricity Suppliers.

(1) Annual Compliance Filing. . . the Filing shall document compliance with the provisions of 225 CMR 14.07 and 14.08 to the satisfaction of the Division and shall include, but not be limited to, the following:

¹ The RPS statute is available at <http://www.mass.gov/legis/laws/mgl/25a-11f.htm>.

² The RPS Regulations are available at <http://www.mass.gov/doer/rps/225cmr.pdf>.

- (a) Total Retail Electrical Energy Sales. Documentation of the total MWhs of electrical energy sold by the Retail Electricity Supplier to End- Use Customers in the Compliance Year;

Background on the Operation of the Electricity Transmission System and NEPOOL GIS

In order to properly interpret and apply the law and regulations, we must first understand the relationship between the New England Power Pool Generation Information System (NEPOOL GIS)³ and the operation of the electric transmission system. This relationship is complex, but for this Guideline we note the following applicable elements:

- Line losses entailed in supplying billed retail load
In order for a retail supplier (termed “Load Serving Entity” or “LSE” at the NEPOOL GIS) to “provide” to an end-use (retail) customer the amount of electricity that is shown on the customer’s bill, the supplier must transmit into the electricity distribution system a small amount of additional electricity. That additional amount is needed in order to allow for “line losses” that occur before the electricity reaches the End-Use Customer.⁴ Line losses occur whenever electrical energy is transmitted through wires: a small percentage of the electrical energy is converted into heat energy and is lost from the wires in that form. Although the End-Use Customer’s bill shows only the quantity of electricity that has reached its retail meter, the rate charged for the metered electricity is intended to cover the cost of the extra energy entailed in delivering that electricity to that meter.
- Load obligations recorded in the NEPOOL GIS
At the beginning of each certificate trading period (the fifteenth day of the fourth month following the end of each calendar quarter), the GIS Administrator enters into the NEPOOL GIS account of each Load Serving Entity (retail supplier) the quantity of electricity required to meet the demand of that LSE’s retail customers.⁵ Those quantities are termed Load Obligations. The quantity assigned is derived from data transmitted to the GIS by ISO New England. That data is based on actual and/or estimated retail meter readings performed on behalf of the LSEs by the regulated distribution utilities of each franchise distribution territory. The distribution utilities adjust those quantities (which are based on meter reading dates performed during various days of the month) to reflect calendar months, and they also adjust the quantities upward to reflect the line losses and other factors (as referenced above). The distribution companies transmit that information to both ISO-New England and the LSEs. The ISO New England then transmits the information to the NEPOOL GIS, which enters the correct amounts into the LSEs’ accounts. *It is then the responsibility of each LSE to distribute to its state-specific sub-accounts the correct shares of the total Load Obligation that the GIS Administrator has assigned to the LSE’s main account.* DOER regards the correctly assigned Load

³ The term “NEPOOL GIS” is defined in the RPS Regulations at 225 CMR 14.02, where it is termed “NE-GIS.”

⁴ There are also some additional losses including theft, errors in meter reading and estimation, and unaccounted-for energy.

⁵ The load obligation includes monthly load data that the GIS Administrator previously had provided to the LSEs for their review.

Obligations recorded at the GIS as the quantity of electricity that each retail supplier must supply to the electricity distribution system in order to provide electricity to its End-Use Customers.

- Calendar month/year compliance and documentation required – not billing month
The RPS statute and regulations require RPS compliance by retail suppliers to be based on a specified percentage of “kilowatt-hours sales to End-Use Customers” for each “calendar year.” Since it is only the Load Obligations at the NEPOOL GIS that are calculated on a calendar month basis (not the retail meter reading and billing month), those figures provide the only well documented, calendar month basis for calculating the RPS minimum compliance percentage for each year.

Interpretation of the Statute and Regulation and Application of this Guideline

Based on its review of the above factors and its interpretation of the RPS statute and regulations, DOER determines that the load obligation data recorded in the NEPOOL GIS is the most appropriate, reliable, accurate, and administratively desirable source for documenting “retail sales to End-Use Customers.” Consequently, DOER hereby requires the following:

Every Retail Electricity Supplier shall use the Load Obligation data recorded in its Massachusetts retail sub-accounts as the *sole* basis for determining sales of electrical energy to End-Use Customers. Every Supplier shall use that data for calculating its annual RPS minimum obligation. However, if DOER determines that a Supplier has not correctly assigned its total Load Obligation to its Massachusetts sub-accounts, it may obligate the Supplier to base its calculation on data from Load Obligation spreadsheets provided to DOER by distribution utilities for RPS verification purposes.

Every Retail Electricity Supplier shall document its total sales to End-Use Customers and its sales to End-Use Customers for each Retail Electricity Product by providing, in each of its Annual Compliance Filings to DOER, copies of all of its “My Settled Certificates Disposition” reports for the Compliance Year (calendar year), as well as any other documentation that DOER deems necessary.

Procedural Requirements for Determining Compliance

To verify the Retail Suppliers’ RPS obligations, DOER will continue to require that the regulated distribution utilities provide to DOER *on a confidential basis* (as it did for the 2004 Compliance Filings) copies of the Load Obligation records (as electronic spreadsheets). These spreadsheets contain the same data that the utilities also supply to ISO New England. Each utility also supplies to each competitive supplier serving retail load in its franchise territory the subset of that data pertaining to the supplier’s own load obligation. All Retail Electricity Suppliers thereby have access to the relevant supplier-specific data contained in the records provided by the utilities to DOER.

DOER will compare the data from the utility Load Obligation spreadsheets with data from the “My Settled Certificates Disposition” reports of each Retail Electricity Supplier. If it is

evident upon such comparison that a particular Supplier has neglected to correctly assign its GIS Load Obligations to its Massachusetts sub-accounts, then DOER will regard the data supplied by the utilities as the correct basis for calculating the Supplier's RPS compliance obligation, and will require the Supplier to adjust its compliance calculations and actions accordingly. DOER will regard any failure of a Retail Electricity Supplier to make such recalculation of its compliance obligation as an instance of Non-Compliance and will initiate the actions provided in the RPS Regulations at 225 CMR 14.12.

The process described above is consistent with DOER's requirements and procedures for the 2003 and 2004 Annual Compliance Filings, except that the procedure described in this Guideline will be applied without exception. The past two years have provided all participants sufficient time to learn the requirements and procedures, with which they now must comply without exception.

Related Procedural Requirements and Reminders for Retail Electricity Suppliers

DOER also reminds Retail Electricity Suppliers of the following existing procedural requirements that pertain directly to this Guideline:

- No later than the end of each trading period, every Supplier must "settle" into its sub-accounts all newly acquired NEPOOL GIS Certificates that are encoded as "Massachusetts RPS Qualified New Renewable Generation Unit" – that is, its MA RPS qualified "RECs." Any such MA RPS qualified RECs that are not settled into sub-accounts by the end of the trading period automatically lose their MA New Renewable Generation Attributes and become "Residual Mix" certificates.
- DOER will accept NEPOOL GIS Certificates as documentation for RPS compliance *only* if they are included in a Supplier's "My Settled Certificates Disposition" reports from NEPOOL GIS.⁶ DOER will accept Certificates that are *not* included in those reports *only if* a Supplier can certify and document to the satisfaction of DOER that those Certificates were, or should have been, associated with New Renewable Generation when they were created, and that those New Renewable Generation Attributes have not otherwise been sold, retired, claimed or represented as part of electrical energy output or sales, or used to satisfy obligations in jurisdictions other than Massachusetts
- Retail electricity suppliers are required to be in compliance at the end of each Compliance Year (i.e., calendar year) with regard to each individual Retail Electricity

⁶ DOER's May 15, 2003, Guidance Document stated: "Prior to the close of each quarterly certificate trading period, transfer to appropriate sub-accounts all of the Certificates that are from New Renewable Generation Units. Any such Certificates that remain in the main obligation account will be declared by the NEPOOL GIS as Unsettled Certificates and become part of the Residual Mix after the close of the trading period and will, thereby, lose their value for RPS compliance."

Product (per 225 CMR 14.09 (1)). To ensure documentation of such compliance, each such Product must have its own sub-account on the NEPOOL GIS system.⁷

⁷ It is the responsibility of each supplier to establish a sub-account for each state in which it serves customers, and accurately assign its region-wide certificates obligation to its state-specific sub-accounts. NE-GIS Rule 4.1. DTE 03-62-A (2/18/2004), at page 15.